

**ORANGEVILLE CITY
FINANCIAL STATEMENTS
JUNE 30, 2005**

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Kimball & Roberts

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

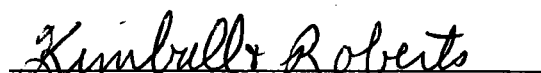
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orangeville City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Orangeville City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orangeville City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of Orangeville City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, condition assessment of the City's infrastructure and budgetary comparison information on pages 4 through 14, 40 and 41 through 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2005
Richfield, Utah

ORANGEVILLE CITY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Orangeville City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and cemetery.

Financial Highlights

- * The assets of Orangeville City exceeded its liabilities as of the close of the most recent year by \$5,484,171 (net assets). Of this amount, \$83,483 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$11,449. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, Orangeville City's governmental fund, the general fund, reported ending fund balance of \$144,955, a decrease of (\$2,141) in comparison with the prior year. At year end the City had a negative unreserved fund balance of \$35,105 in its general fund.
- * Orangeville City's total debt decreased by \$9,867 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Orangeville City's basic financial statements. Orangeville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Orangeville City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Orangeville City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Orangeville City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Orangeville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Orangeville City include general government, public safety, highways and public improvements, parks and recreation, and cemetery. The business-type activity of Orangeville City is the utility fund, containing water, sewer and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Orangeville City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Orangeville City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Orangeville City maintains one governmental fund, the general fund, which is always a major fund.

Orangeville City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Orangeville City maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Orangeville City uses an enterprise fund to account for its water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of Orangeville City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Orangeville City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Orangeville, assets exceeded liabilities by \$5,484,171 at the close of the most recent fiscal year.

By far the largest portion of Orangeville's net assets (95 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Orangeville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Orangeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Orangeville City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	163,854	62,571	133,103	130,049	296,957	192,620
Capital Assets	4,542,145	4,538,032	713,077	721,107	5,255,222	5,259,139
Total Assets	4,705,999	4,600,603	846,180	851,156	5,552,179	5,451,759
Long-Term Liabilities	28,285	34,530	10,340	10,339	38,625	44,869
Other Liabilities	18,899	14,623	10,484	9,355	29,383	23,978
Total Liabilities	47,184	49,153	20,824	19,694	68,008	68,847
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	4,517,891	4,504,440	702,737	710,239	5,220,628	5,214,679
Restricted	180,060	37,639	-	-	180,060	37,639
Unrestricted	(39,136)	9,371	122,619	121,223	83,483	130,594
Total Net Assets	4,658,815	4,551,450	825,356	831,462	5,484,171	5,382,912

A portion of Orangeville City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$83,483 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Orangeville City is able to report positive balances in all three categories of net assets, for the government as a whole.

Governmental Activities

Governmental activities increased Orangeville City's net assets by \$17,555. Key elements of this increase follows:

Orangeville City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	49,420	23,102	209,100	179,443	258,520	202,545
Operating Grants and Contributions	53,518	74,924	-	-	53,518	74,924
General Revenues:						
Property Taxes	45,146	45,880	-	-	45,146	45,880
Other Taxes	201,920	175,624	-	-	201,920	175,624
Unrestricted Investment Earnings	6,155	2,730	491	439	6,646	3,169
Other	-	-	-	-	-	-
Total Revenues	356,159	322,260	209,591	179,882	565,750	502,142
Expenses:						
General Government	140,079	146,127	-	-	140,079	146,127
Public Safety	28,424	27,101	-	-	28,424	27,101
Public Health	-	-	215,366	149,880	215,366	149,880
Highways	134,368	181,270	-	-	134,368	181,270
Parks and Recreation	17,675	23,033	-	-	17,675	23,033
Cemetery	17,411	18,081	-	-	17,411	18,081
Interest on Long-Term Debt	647	745	331	347	978	1,092
Total Expenses	338,604	396,357	215,697	150,227	554,301	546,584
Increase in Net Assets Before Transfers	17,555	(74,097)	(6,106)	29,655	11,449	(44,442)
Transfers	-	23,000	-	(23,000)	-	-
Increase in Net Assets	17,555	(51,097)	(6,106)	6,655	11,449	(44,442)
Net Assets - Beginning	4,641,260	4,692,357	831,462	824,807	5,472,722	5,517,164
Net Assets - Ending	4,658,815	4,641,260	825,356	831,462	5,484,171	5,472,722

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities decreased Orangeville City's net assets by (\$6,106), accounting for all of the decrease in the government's net assets. Key elements of the decrease are as follows:

- * The total decrease in the business-type activities, is attributed to the increase in water, sewer and garbage costs in particular the costs from the Castle Valley Special Service District.
- * The changes can be reviewed by comparing the current year to the prior year revenues and expenses on the previous page.

Financial Analysis of the Government's Funds

As noted earlier, Orangeville City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Orangeville City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Orangeville City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Orangeville City's governmental fund reported combined ending fund balances of \$144,955, a decrease of (\$2,141) in comparison with the prior year. The unreserved fund balance is in a negative position of (\$35,105) at year end. The remainder of fund balance is *reserved* to indicated that it is not available for new spending because it has already been committed to: 1) highways and public improvements of \$81,248, 2) perpetual care of \$95,062 and 3) bond reserves \$3,750.

The general fund is the chief operating fund of Orangeville City. At the end of the current year, unreserved fund balance of the general fund was in a negative position, while total fund balance reached \$144,955. As a measure of general fund's liquidity, it may be useful to compare total fund balance to total expenditures in the general fund. Total fund balance represents 40% of total general fund expenditures.

Proprietary Funds

Orangeville City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$122,619. Other factors concerning the finances of this fund has already been addressed in the discussion of Orangeville City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$1,900 can be briefly summarized as follows:

- * \$1,674 increase in general government.
- * \$1,345 decrease in public safety.
- * \$24,326 increase in highways and public improvements.
- * \$26,555 decrease in culture and recreation.

Of this increase, none was funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$48,918, and actual expenditures were less than budgeted expenditures by \$132,826 resulting in a net increase in fund balance of \$83,908.

Capital Asset and Debt Administration

Capital Assets

Orangeville City's investment in capital assets for its governmental activities as of June 30, 2005, was \$4,542,145 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and bridges. The total increase in Orangeville City's investment in capital assets for the current year was \$38,113. Major capital asset events during the current year included the following:

- * Ballpark for \$8,900.
- * Park kitchen remodel for \$29,213.

Also, the City has elected to use the modified approach to account for its infrastructure assets, such as roads and bridges. That information can be found in the required supplemental information following the notes to the financial statements.

Orangeville City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	126,400	126,400	3,155	3,155	129,555	129,555
Water Shares			598,648	594,748	598,648	594,748
Infrastructure	4,040,728	4,040,728	-	-	4,040,728	4,040,728
Buildings	197,621	209,758	-	-	197,621	209,758
Improvements Other than Buildings	55,667	19,404	111,274	123,204	166,941	142,608
Equipment	121,729	141,742	-	-	121,729	141,742
Total	<u>4,542,145</u>	<u>4,538,032</u>	<u>713,077</u>	<u>721,107</u>	<u>5,255,222</u>	<u>5,259,139</u>

Additional information on Orangeville City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Orangeville City had total long-term debt outstanding of \$34,594. The debt represents a loan secured by water shares, and debt secured by land and a loan on class c roads secured by class C road funds.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Long-Term Debt	<u>24,254</u>	<u>33,592</u>	<u>10,340</u>	<u>10,868</u>	<u>34,594</u>	<u>44,460</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of its total fair market value of taxable property in the City. The current debt limitation for Orangeville City is approximately \$777,000. Orangeville City has no general obligation debt.

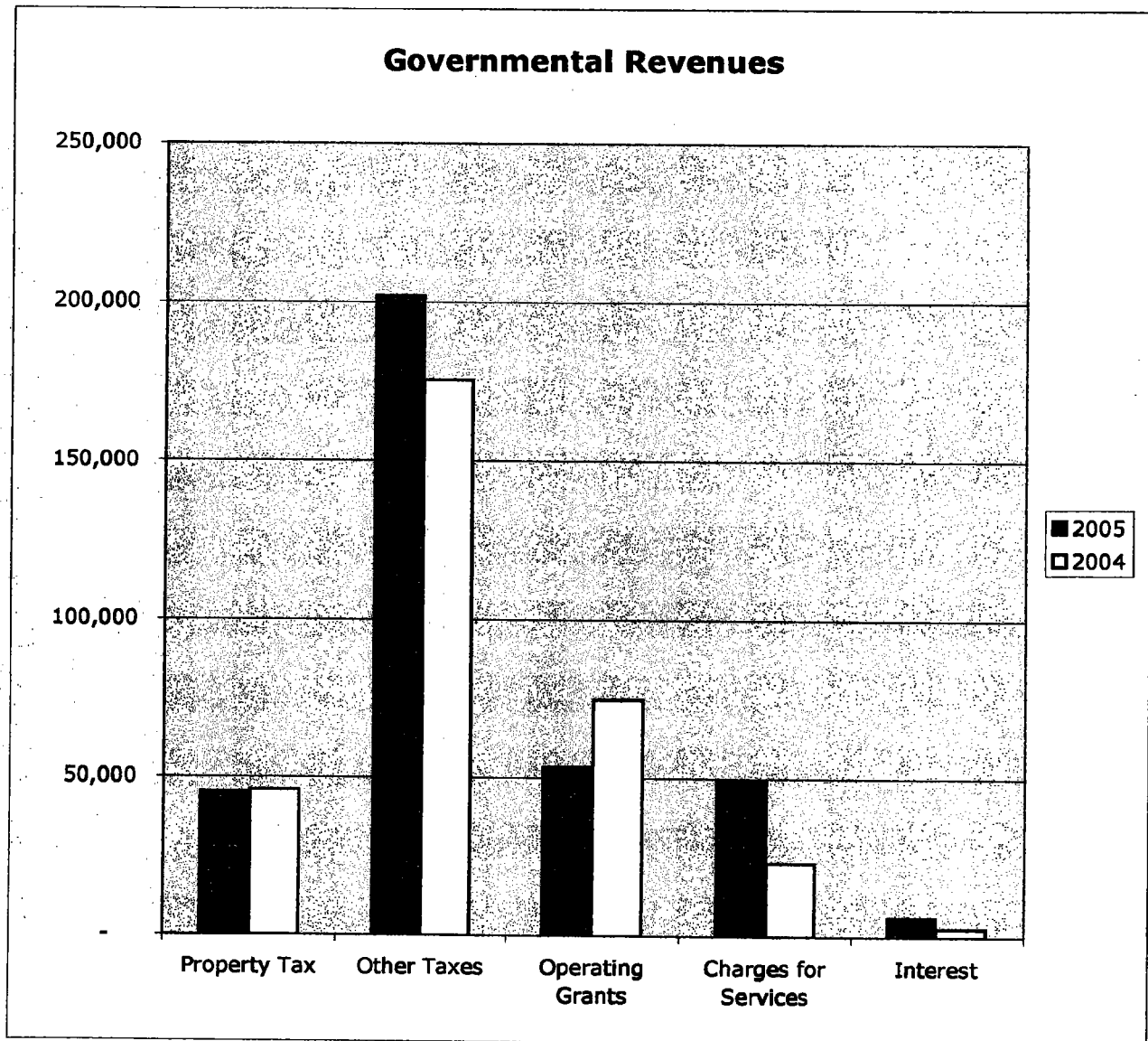
Additional information on Orangeville City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Orangeville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Orangeville City Recorder, P.O. Box 677, Orangeville, Utah, 84537.

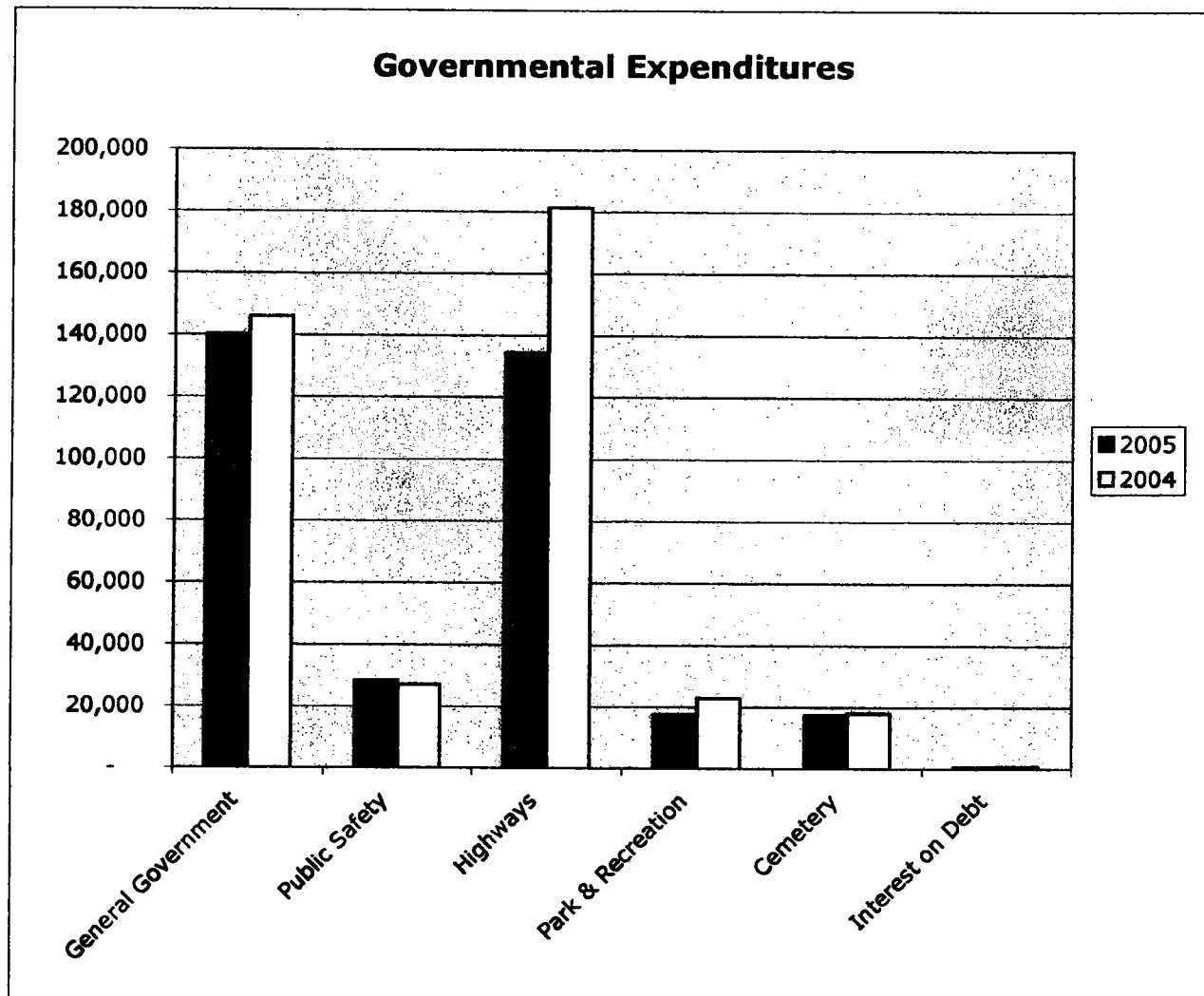
**Orangeville City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Property Tax	45,146	45,880
Other Taxes	201,920	175,624
Operating Grants	53,518	74,924
Charges for Services	49,420	23,102
Interest	6,155	2,730
Total Revenues	356,159	322,260



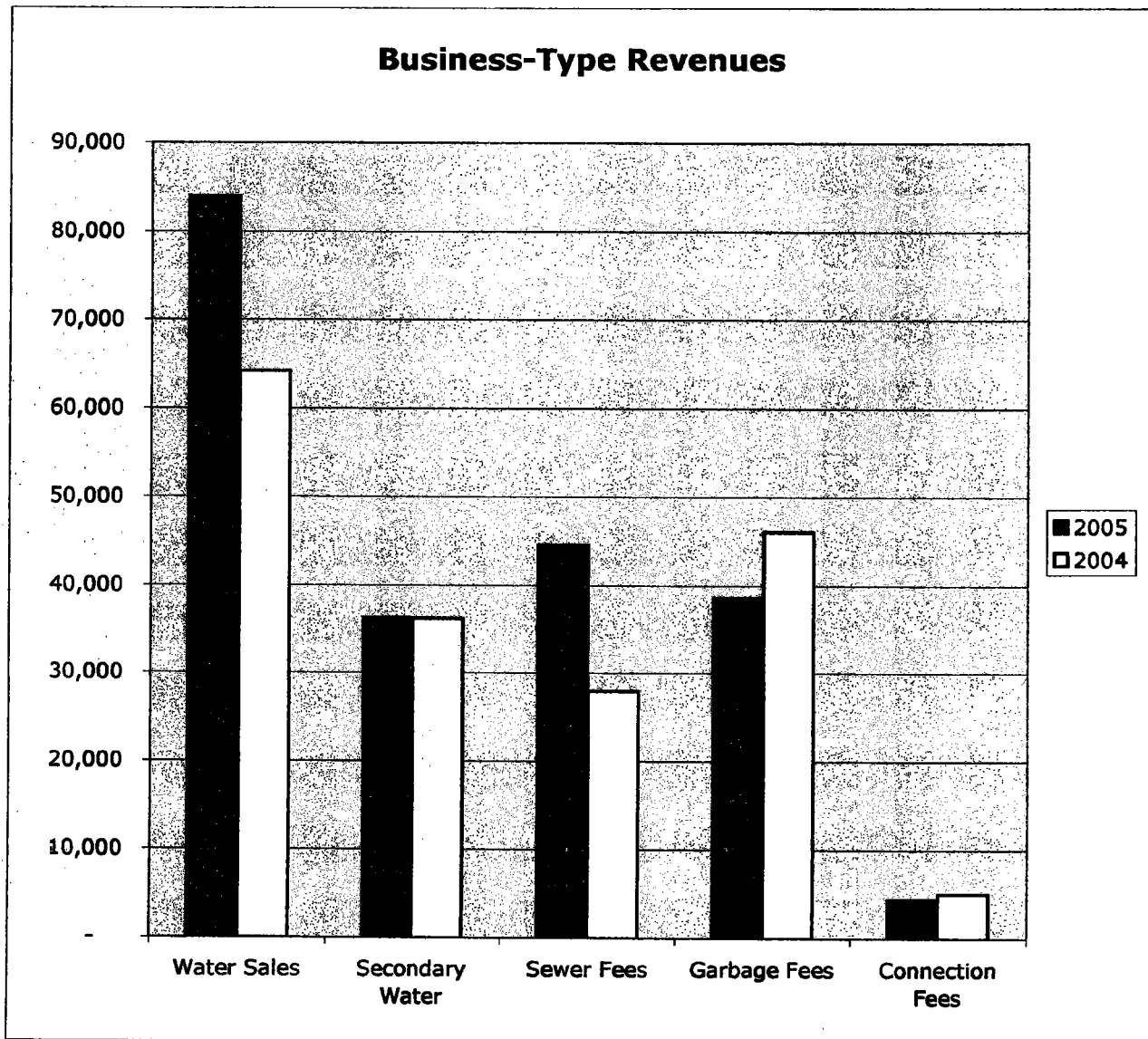
**Orangeville City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	140,079	146,127
Public Safety	28,424	27,101
Highways	134,368	181,270
Park & Recreation	17,675	23,033
Cemetery	17,411	18,081
Interest on Debt	647	745
Total Expenditures	338,604	396,357



**Orangeville City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

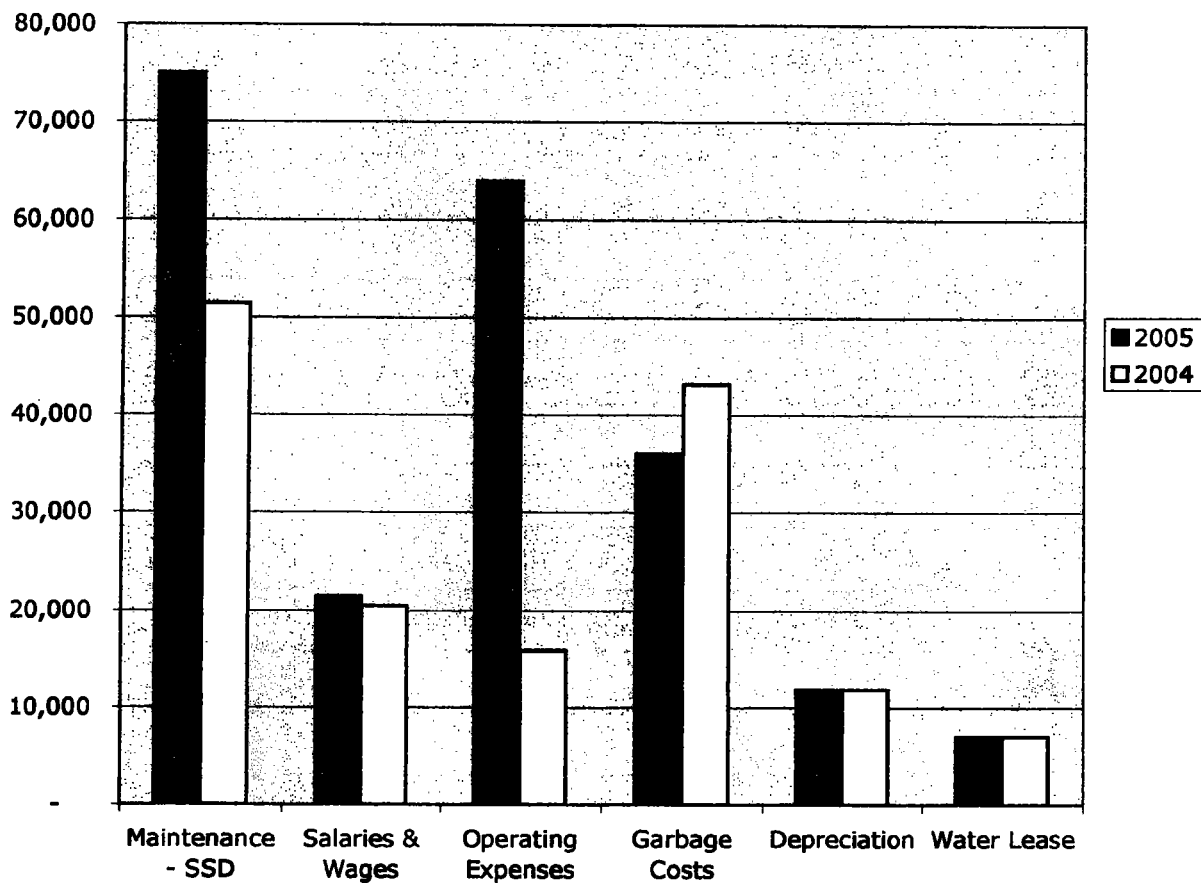
	2005	2004
Water Sales	83,962	64,174
Secondary Water	36,257	36,214
Sewer Fees	44,577	27,918
Garbage Fees	38,674	46,057
Connection Fees	4,430	5,080
Total Revenues	207,900	179,443



Orangeville City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Maintenance - SSD	75,031	51,410
Salaries & Wages	21,445	20,469
Operating Expenses	63,958	15,899
Garbage Costs	36,002	43,172
Depreciation	11,930	11,930
Water Lease	7,000	7,000
Total Expenditures	215,366	149,880

Business-Type Expenditures



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BASIC FINANCIAL STATEMENTS

**ORANGEVILLE CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	153,106	114,147	267,253
Accounts Receivable (Net)	-	18,956	18,956
Due From Other Government Units	10,748	-	10,748
Total Current Assets	163,854	133,103	296,957
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation):			
Land	126,400	3,155	129,555
Water Shares	-	598,648	598,648
Buildings	197,621	-	197,621
Improvements Other Than Buildings	55,667	111,274	166,941
Equipment	121,729	-	121,729
Infrastructure	4,040,728	-	4,040,728
Total Noncurrent Assets	4,542,145	713,077	5,255,222
TOTAL ASSETS	4,705,999	846,180	5,552,179
LIABILITIES			
Current Liabilities:			
Accounts Payable	15,788	9,472	25,260
Accrued Liabilities	3,111	-	3,111
Deposits Payable	-	1,012	1,012
Notes Payable - Due Within One Year	6,000	545	6,545
Bonds Payable - Due Within One Year	3,438	-	3,438
Total Current Liabilities	28,337	11,029	39,366
Noncurrent Liabilities:			
Notes Payable - More Than One Year	-	9,795	9,795
Bonds Payable - More Than One Year	14,816	-	14,816
Compensated Absences	4,031	-	4,031
Total Noncurrent Liabilities	18,847	9,795	28,642
TOTAL LIABILITIES	47,184	20,824	68,008
NET ASSETS			
Investment in Capital Assets, Net of Debt	4,517,891	702,737	5,220,628
Restricted For:			
Bond Retirement	3,750	-	3,750
Perpetual Care	95,062	-	95,062
Class C Road	81,248	-	81,248
Unrestricted	(39,136)	122,619	83,483
TOTAL NET ASSETS	4,658,815	825,356	5,484,171
TOTAL LIABILITIES AND NET ASSETS	4,705,999	846,180	5,552,179

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
General Government	140,079	44,390	-	(95,689)	-	(95,689)
Public Safety	28,424	-	1,135	(27,289)	-	(27,289)
Highways and Public Improvements	134,368	-	52,383	(81,985)	-	(81,985)
Park and Recreation	17,675	310	-	(17,365)	-	(17,365)
Cemetery	17,411	4,720	-	(12,691)	-	(12,691)
Interest on Long-Term Debt	647	-	-	(647)	(331)	(978)
Total Governmental Activities	338,604	49,420	53,518	(235,666)	(331)	(235,997)
Business-Type Activities:						
Water and Sewer Fund	215,366	209,100	-	-	(6,266)	(6,266)
Total Primary Government	553,970	258,520	53,518	(235,666)	(6,597)	(242,263)
General Revenues:						
Property Taxes				45,146	-	45,146
Fee-In-Lieu of Property Taxes				19,040	-	19,040
Sales Taxes				159,985	-	159,985
Franchise Taxes				22,895	-	22,895
Unrestricted Investment Earnings				6,155	491	6,646
Total General Revenues and Transfers				253,221	491	253,712
Change in Net Assets				17,555	(6,106)	11,449
Net Assets - Beginning				4,641,260	831,462	5,472,722
Net Assets - Ending				4,658,815	825,356	5,484,171

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
ASSETS			
Cash and Cash Equivalents	58,044	95,062	153,106
Due From Other Government Units	10,748	-	10,748
TOTAL ASSETS	<u>68,792</u>	<u>95,062</u>	<u>163,854</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	15,788	-	15,788
Accrued Liabilities	3,111	-	3,111
Total Liabilities	<u>18,899</u>	<u>-</u>	<u>18,899</u>
Fund Balances:			
Reserved For:			
Class "C" Road	81,248	-	81,248
Perpetual Care	-	95,062	95,062
Bond Reserve	3,750	-	3,750
Unreserved	(35,105)	-	(35,105)
Total Fund Balance	<u>49,893</u>	<u>95,062</u>	<u>144,955</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>68,792</u>	<u>95,062</u>	<u>163,854</u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	144,955
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	126,400	
Buildings	197,621	
Improvements	55,667	
Equipment	121,729	
Infrastructure	<u>4,040,728</u>	
 Total		 4,542,145

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Notes Payable	(6,000)	
Bonds Payable	(18,254)	
Compensated Absences	<u>(4,031)</u>	
 Total		 <u>(28,285)</u>

Net Assets of Government Activities	<u><u>4,658,815</u></u>
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ORANGEVILLE CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
Revenues:			
Taxes	247,066	-	247,066
Licenses and Permits	11,419	-	11,419
Intergovernmental Revenue	53,518	-	53,518
Charges for Services	33,110	-	33,110
Perpetual Care	-	2,370	2,370
Interest	3,774	2,381	6,155
Miscellaneous Revenues	2,020	501	2,521
	<u>350,907</u>	<u>5,252</u>	<u>356,159</u>
Total Revenues			
	<u>350,907</u>	<u>5,252</u>	<u>356,159</u>
Expenditures:			
Current:			
General Government	136,677	-	136,677
Public Safety	26,924	-	26,924
Highways and Public Improvements	122,390	-	122,390
Parks and Recreation	6,796	-	6,796
Cemetery	17,411	-	17,411
Capital Outlay	38,117	-	38,117
Debt Service:			
Principal	9,338	-	9,338
Interest	647	-	647
	<u>358,300</u>	<u>-</u>	<u>358,300</u>
Total Expenditures			
	<u>358,300</u>	<u>-</u>	<u>358,300</u>
Net Change In Fund Balance	(7,393)	5,252	(2,141)
Fund Balance - Beginning	57,286	89,810	147,096
Fund Balance - Ending	<u>49,893</u>	<u>95,062</u>	<u>144,955</u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	(2,141)
---	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	38,113	
Depreciation Expense	<u>(34,000)</u>	
Total		4,113

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Note Principal Payments	6,000	
Bond Principal Payments	<u>3,338</u>	
Total		9,338

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences		<u>6,245</u>
Changes In Net Assets of Governmental Activities		<u><u>17,555</u></u>

**ORANGEVILLE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund
	<u>Utility Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	114,147
Accounts Receivable	<u>18,956</u>
Total Current Assets	<u>133,103</u>
Noncurrent Assets:	
Capital Assets: (Net of Accumulated Depreciation)	
Land	3,155
Water Shares	598,648
Water and Sewer Systems	<u>111,274</u>
Total Noncurrent Assets	<u>713,077</u>
TOTAL ASSETS	<u>846,180</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	9,472
Customer Deposits	1,012
Loan Payable - Current Portion	<u>545</u>
Total Current Liabilities	<u>11,029</u>
Noncurrent Liabilities:	
Loan Payable - Long-Term Portion	<u>9,795</u>
TOTAL LIABILITIES	<u>20,824</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	702,737
Unrestricted	<u>122,619</u>
TOTAL NET ASSETS	<u>825,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>846,180</u></u>

The notes to the financial statements are an integral part of this statement.

ORANGEVILLE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Utility Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Sales	83,962
Secondary Water Sales	36,257
Sewer Sales	44,577
Garbage Fees	38,674
Connection Fees	<u>4,430</u>
Total Operating Revenues	<u>207,900</u>
Operating Expenses:	
Maintenance and Operations - Special Service District	75,031
Salaries, Wages and Benefits	21,445
Materials, Supplies and Utilities	63,958
Garbage Costs	36,002
Depreciation	11,930
Water Lease Payments	<u>7,000</u>
Total Operating Expenses	<u>215,366</u>
Operating Income	<u>(7,466)</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	491
Contribution of Water Shares	1,200
Interest Expense	<u>(331)</u>
Total Nonoperating Revenues (Expenses)	<u>1,360</u>
Change in Net Assets	(6,106)
Total Net Assets - Beginning	<u>831,462</u>
Total Net Assets - Ending	<u><u>825,356</u></u>

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Utility Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	205,124
Payments to Suppliers	(180,332)
Payments to Employees	<u>(21,445)</u>
Net Cash Provided by Operating Activities	<u>3,347</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(529)
Purchase of Water Shares	(2,700)
Interest Paid on Capital Debt	<u>(331)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,560)</u>
Cash Flows from Investing Activities:	
Interest Received	<u>491</u>
Net Cash Provided (Used) by Investing Activities	<u>491</u>
Net Increase (Decrease) in Cash and Cash Equivalents	278
Cash and Cash Equivalents - Beginning	<u>113,869</u>
Cash and Cash Equivalents - Ending	<u><u>114,147</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>(7,466)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided	
Provided (Used) By Operating Activities:	
Depreciation	11,930
Increase (Decrease) in Operating Assets:	
Accounts Receivable	(2,776)
Accrued Liabilities	<u>1,659</u>
Total Adjustments	<u>10,813</u>
Net Cash Provided (Used) by Operating Activities	<u><u>3,347</u></u>

The notes to the financial statements are an integral part of this statement.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Orangeville City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Orangeville City is a municipal corporation in Emery County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Orangeville City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Orangeville City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Enterprise Fund accounts for the activities of the City water and sewer operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Utility Systems

6 - 40 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Cities require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

Orangeville City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$36,323.18 and the bank balance was \$47,954.55. All of the bank balance was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Petty cash was \$250.00.

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the State Treasurer's Investment Pool. At year end, the City had invested \$210,405.67 with the Utah State Treasurer's Pool.

The City's investments are categorized below to give an indication of the risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City in the City's name, and includes deposits collateralized by securities held by the City in the City's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the City's name, and includes deposits collateralized by securities held by the pledging institution in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the City's name, and includes deposits not insured or collateralized.

Orangeville City's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>230,679.70</u>
Total Investments				<u>230,679.70</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

Governmental Activities	153,106
Business-Type Activities	<u>114,147</u>
Total	<u>267,253</u>

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 3 - BOND RESERVE REQUIREMENTS

General Fund:

The loan with Permanent Community Impact Board requires the following bond reserves:

- 1) Reserve fund - \$55.36 per month for 72 months to a maximum of \$3,985.92. The balance at year end was \$3,750.00.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	126,400	-	-	126,400
Infrastructure	<u>4,040,728</u>	<u>-</u>	<u>-</u>	<u>4,040,728</u>
Total Capital Assets Not Being Depreciated	<u>4,167,128</u>	<u>-</u>	<u>-</u>	<u>4,167,128</u>
Capital Assets Being Depreciated:				
Buildings	355,000	-	-	355,000
Improvements Other Than Buildings	37,000	38,113	-	75,113
Machinery and Equipment	<u>280,434</u>	<u>-</u>	<u>-</u>	<u>280,434</u>
Total Capital Assets Being Depreciated	<u>672,434</u>	<u>38,113</u>	<u>-</u>	<u>710,547</u>
Less Accumulated Depreciation For:				
Buildings	145,242	12,137	-	157,379
Improvements Other Than Buildings	17,596	1,850	-	19,446
Machinery and Equipment	<u>138,692</u>	<u>20,013</u>	<u>-</u>	<u>158,705</u>
Total Accumulated Depreciation	<u>301,530</u>	<u>34,000</u>	<u>-</u>	<u>335,530</u>
Total Capital Assets Being Depreciated (Net)	<u>370,904</u>	<u>4,113</u>	<u>-</u>	<u>375,017</u>
Governmental Activities Capital Assets, Net	<u>4,538,032</u>	<u>4,113</u>	<u>-</u>	<u>4,542,145</u>

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	3,155	-	-	3,155
Water Stock	594,748	3,900	-	598,648
 Total Capital Assets Not Being Depreciated	<u>597,903</u>	<u>3,900</u>	<u>-</u>	<u>601,803</u>
 Capital Assets Being Depreciated:				
Old Culinary System	204,000	-	-	204,000
New Culinary System	180,000	-	-	180,000
Sewer Line Pumps	56,400	-	-	56,400
Sewer Line	19,026	-	-	19,026
 Total Capital Assets Being Depreciated	<u>459,426</u>	<u>-</u>	<u>-</u>	<u>459,426</u>
 Less Accumulated Depreciation For:				
Old Culinary System	161,100	6,800	-	167,900
New Culinary System	108,000	4,500	-	112,500
Sewer Line Pumps	56,400	-	-	56,400
Sewer Line	10,722	630	-	11,352
 Total Accumulated Depreciation	<u>336,222</u>	<u>11,930</u>	<u>-</u>	<u>348,152</u>
 Total Capital Assets Being Depreciated (Net)	<u>123,204</u>	<u>(11,930)</u>	<u>-</u>	<u>111,274</u>
 Business Type Activities Capital Assets, Net	<u>721,107</u>	<u>(8,030)</u>	<u>-</u>	<u>713,077</u>
 Total Capital Assets	<u><u>5,259,139</u></u>	<u><u>(3,917)</u></u>	<u><u>-</u></u>	<u><u>5,255,222</u></u>

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	9,647	-	9,647
Public Safety	1,500	-	1,500
Public Health	-	11,930	11,930
Highways and Public Improvements	11,978	-	11,978
Parks and Recreation	10,875	-	10,875
Total Depreciation Expense	<u>34,000</u>	<u>11,930</u>	<u>45,930</u>

NOTE 5 - WATER STOCKS

Orangeville City owns stock in Cottonwood Creek Irrigation Company. The change in water stock ownership during the year is summarized below:

	<u>Balance June 30, 2004</u>	<u>Purchases</u>	<u>Contributed</u>	<u>Balance June 30, 2005</u>
Primary	858.95	3.00	3.00	864.95
Project	61.00	3.00	-	64.00
Cost/Fair Market Value	594,747.50	3,900.00	-	598,647.50

NOTE 6 - LONG TERM DEBT

Business-Type Long-Term Debt Payable:

Contract Payable:

On July 14, 1994, the City purchased, on contract, 45 shares of project water from the Emery Water Conservancy District. The terms of the contract require yearly payments of \$860.00 over 27 years with an interest rate of 3.046%. Payments were to commence January 1, 1994 and continue each succeeding January 1, thereafter, until the year 2020. The principal balance at June 30, 2004, was \$10,340.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	545	315	860
2006-2007	562	298	860
2007-2008	578	282	860
2008-2009	596	264	860
2009-2010	615	245	860
2011-2015	3,365	935	4,300
2016-2020	3,910	390	4,300
2021-2025	169	33	202
	<u>10,340</u>	<u>2,762</u>	<u>13,102</u>
Totals	<u>10,340</u>	<u>2,762</u>	<u>13,102</u>

Governmental Long-Term Debt Payable:

Class "C" Revenue Bond:

On December 3, 1998, the Permanent Community Impact Fund Board authorized a \$34,000 grant and a \$34,000 loan to the City for the construction of a new concrete bridge across Adobe Wash in Orangeville City.

The loan requires ten (10) annual payments on January 1 of each year beginning on January 1, 2001. The required annual payment is \$3,985.84 including interest at 3%. The bond is secured by a pledge by the City on 100% of the City's road fund revenues, and the City is required to warrant and demonstrate that those net revenues equal or exceed 125% of the total annual debt service requirements on the Bond and any other obligations secured by a pledge of those revenues. The loan balance at year end was \$18,254.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	3,438	547	3,985
2006-2007	3,541	444	3,985
2007-2008	3,648	337	3,985
2008-2009	3,757	228	3,985
2009-2010	3,870	115	3,985
	<u>18,254</u>	<u>1,671</u>	<u>19,925</u>
Totals	<u>18,254</u>	<u>1,671</u>	<u>19,925</u>

**ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Note Payable:

During the year the City acquired property for the purpose of building a fire house in the future. The City borrowed \$18,000 and the terms of the loan requires yearly payments in the amount of \$6,000 interest free. The first payment was made in May of 2004 and two successive payments of \$6,000 are required on July 31st of the following two fiscal years.

The following is a schedule of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	<u>6,000</u>	<u>-</u>	<u>6,000</u>

The following is a statement of changes in Governmental Long-Term Debt payable:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Revenue Bond	21,592	-	3,338	18,254
Note Payable	<u>12,000</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
	<u>33,592</u>	<u>-</u>	<u>9,338</u>	<u>24,254</u>

Compensated Absences:

The following is a statement of changes in compensated absences:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Compensated Absences	<u>10,276</u>	<u>-</u>	<u>6,245</u>	<u>4,031</u>

NOTE 7 - MUNICIPAL BUILDING AUTHORITY

On May 9, 2005, the City adopted resolution No. R-2005-5 providing for the creation of a Municipal Building Authority for the purpose of acquiring, improving or extending one or more projects under Title 17A, chapter 3, Part 9, Utah Code annotated 1953 of the Municipal Building Authority Act. The purpose also includes the ability to finance the costs on behalf of the City in accordance with the procedures and subject to limitations of the Act in order to accomplish the public purposes for which the City exists.

The Municipal Building Authority was created to allow the City to finance and build a fire house for fire protection for the City. The City plans to start construction during the following year.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - CLASS "C" ROAD RESERVED FUND BALANCE

The following is a statement of receipts and disbursements in the Class "C" Road reserved fund balance:

BALANCE - BEGINNING OF YEAR		35,289
Receipts:		
State of Utah Allotments	52,382	
Interest Earnings	<u>1,982</u>	
Total Receipts		54,364
Disbursements:		
Construction and Maintenance		<u>(8,405)</u>
BALANCE - END OF YEAR		<u>81,248</u>

NOTE 9 - PERPETUAL CARE FUND

The following is a statement of receipts and disbursements in the Perpetual Care Fund:

FUND BALANCE - BEGINNING OF YEAR		89,810
Receipts:		
Sale of Cemetery Perpetual Care Certificates	2,370	
Other	501	
Interest Earnings	<u>2,381</u>	
Total		5,252
Disbursements		<u>-</u>
FUND BALANCE - END OF YEAR		<u>95,062</u>

NOTE 10 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Orangeville City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

ORANGEVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 11 - PENSION PLAN (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Orangeville City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Orangeville City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$11,533.39, \$9,426.22 and \$8,247.48. The contributions were equal to the required contributions for each year.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries and disasters. The City is insured through the Utah Local Government Trust for general liability coverage. The limits of coverage is \$1,000,000 with \$250 deductible for each occurrence for both comprehensive general liability and automobile liability. Uninsured motorist has a \$50,000 limit per each accident.

The City is insured for property and equipment loss through Allstate Insurance. This coverage is for all buildings and equipment owned by the City. The coverage is for replacement cost with a \$250 deductible.

Claims have not exceeded coverage in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**ORANGEVILLE CITY
CONDITION RATING OF THE COUNTY'S ROAD SYSTEM**

For The Fiscal Year Ended June 30, 2005

Percentage of Lane-Miles in Good or Better Condition:

	<u>2004</u>	<u>2005</u>
Paved	65	75
Gravel	60	75
Dirt	61	71
Overall System	62	73
Bridges	70	80

Percentage of Lane-Miles in Substandard Condition:

	<u>2004</u>	<u>2005</u>
Paved	14	12
Gravel	10	9
Dirt	12	9
Overall System	11	10
Bridges	7	5

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2004</u>	<u>2005</u>
Estimated	200,000	150,000
Actual	170,000	122,800

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

This schedule only presents the information for the last two years. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years. However, the City implemented these new standards in 2004, and did not collect this information for the prior years. The City will continue to collect and retain this information so that over a period of five years it will be able to report the required information.

The condition of the City's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the City's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>57,286</u>	<u>57,286</u>	<u>57,286</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	42,972	42,972	43,081	109
Delinquent Prior Years Taxes	4,000	4,000	2,065	(1,935)
Fee-In-Lieu of Taxes	25,305	25,305	19,040	(6,265)
General Sales and Use Taxes	159,000	159,000	159,985	985
Franchise Taxes	<u>30,000</u>	<u>30,000</u>	<u>22,895</u>	<u>(7,105)</u>
Total Taxes	<u>261,277</u>	<u>261,277</u>	<u>247,066</u>	<u>(14,211)</u>
Licenses and Permits:				
Animal Licenses	5,000	5,000	4,034	(966)
Business Licenses	3,000	3,000	2,418	(582)
Building Permits	<u>5,500</u>	<u>5,500</u>	<u>4,967</u>	<u>(533)</u>
Total Licenses and Permits	<u>13,500</u>	<u>13,500</u>	<u>11,419</u>	<u>(2,081)</u>
Intergovernmental Revenue:				
State and Federal Grants	350	350	440	90
Class C Road Funds	66,000	66,000	52,383	(13,617)
State Liquor Funds	<u>650</u>	<u>650</u>	<u>695</u>	<u>45</u>
Total Intergovernmental Revenue	<u>67,000</u>	<u>67,000</u>	<u>53,518</u>	<u>(13,482)</u>
Charges for Services:				
Park Reservations	900	900	310	(590)
Utility Administrative Fee	30,000	30,000	30,000	-
City Hall Fees	-	1,000	450	(550)
Burial Fees	<u>4,000</u>	<u>4,000</u>	<u>2,350</u>	<u>(1,650)</u>
Total Charges for Services	<u>34,900</u>	<u>35,900</u>	<u>33,110</u>	<u>(2,790)</u>

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Miscellaneous Revenue:				
Interest	9,500	7,000	3,774	(3,226)
Other Revenues	6,500	6,500	-	(6,500)
Miscellaneous	5,400	5,000	2,020	(2,980)
Total Miscellaneous Revenue	21,400	18,500	5,794	(12,706)
Contributions and Transfers:				
General Fund Surplus	86,049	86,049	-	(86,049)
Total Contributions and Transfers	86,049	86,049	-	(86,049)
Amounts Available for Appropriation	541,412	539,512	408,193	(131,319)
Charges to Appropriations (Outflows):				
General Government:				
Central Purchasing	7,900	9,700	9,154	546
Mayor and Council	18,800	18,550	18,301	249
Planning and Zoning	10,900	11,550	11,420	130
Administration	52,650	61,350	58,863	2,487
Non-Departmental	44,726	39,750	31,371	8,379
General Municipal Buildings	12,250	8,000	7,568	432
Total General Government	147,226	148,900	136,677	12,223
Public Safety:				
Fire Department	25,200	25,200	21,804	3,396
Police Department	12,650	11,305	11,120	185
Total Public Safety	37,850	36,505	32,924	3,581

**ORANGEVILLE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Highway and Public Improvements:				
Roads	109,650	120,250	113,385	6,865
Class C Roads	66,000	81,776	8,405	73,371
Shop	7,000	4,950	4,585	365
Total Highways and Public Improvements	<u>182,650</u>	<u>206,976</u>	<u>126,375</u>	<u>80,601</u>
Culture and Recreation:				
Cemetery	33,600	21,845	17,413	4,432
Parks	82,800	68,000	44,911	23,089
Total Culture and Recreation	<u>116,400</u>	<u>89,845</u>	<u>62,324</u>	<u>27,521</u>
Total Charges to Appropriations	<u>484,126</u>	<u>482,226</u>	<u>358,300</u>	<u>123,926</u>
Budgetary Fund Balance - June 30, 2005	<u>57,286</u>	<u>57,286</u>	<u>49,893</u>	<u>(7,393)</u>

**ORANGEVILLE CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	408,193
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(57,286)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>350,907</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	358,300
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>358,300</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Orangeville City as and for the year ended June 30, 2005, which collectively comprise Orangeville City's basic financial statements and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Orangeville City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orangeville City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Orangeville City in a separate letter dated August 25, 2005.

Honorable Mayor and City Council
Orangeville City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

We have audited the financial statements of Orangeville City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated August 25, 2005. As part of our audit, we have audited Orangeville City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Orangeville City's financial statements.)

Curb and Gutter Project (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of Orangeville City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council
Orangeville City
Page -2-

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Orangeville City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2005
Richfield, Utah

**ORANGEVILLE CITY
MANAGEMENT LETTER
JUNE 30, 2005**

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

Honorable Mayor and City Council
Orangeville City
Orangeville, Utah 84537

During our audit of the funds of Orangeville City for the fiscal year ended June 30, 2005, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

General Fund – Deficit Fund Balance

Finding:

We noted during the audit that the unreserved fund balance ended with a deficit balance of \$35,105.

Recommendation:


We recommend that the City budget this deficit balance to be made up in the following fiscal year.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Orangeville City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2005
Richfield, Utah

October 11, 2005

To Orangeville City Mayor and Council Members:

On August 25, 2005, Kimball & Roberts, Certified Public Accountants, conducted an independent audit of the financial records of Orangeville City for the fiscal year July 1, 2004 to June 30, 2005. This is in accordance with Utah State statutes.

While the auditors found nothing substantially wrong with the finances, they discovered the city has over spent un-reserved funds in the amount of \$35,105.

This problem came about by budgeting and spending available funds to the fullest extent for the past several years. Utah State allows cities and towns to accumulate a small amount of funds to use for the next fiscal year - this is the un-reserved funds mentioned above. Orangeville City's expenditures have far exceeded its revenues for several years, due to the rising cost of liability insurance, health insurance, wages, gas, power and construction materials, and etc. The un-reserved funds have been used to fund these escalating costs for several years and to offset revenues not received elsewhere. The State requires the city to have a balanced budget.

State Law requires that the City address this problem; and since I was the city recorder at the time this budget was created, I feel it is my obligation to help solve this situation; therefore, it is the recommendation that the following steps be taken in order to comply with the management letter sent from the auditors and come into compliance with state law:

Reduce the current fiscal year total general fund budget by \$35,105. This can be done by making the following adjustments:

General Fund Revenues Budget

Account Name & Number	Current Bal	Reduce	New Balance
# 1039900 Beginning Bal to be Approp	\$23,700	\$23,700	00
# 1038900 Sundry Revenues	\$ 5,000	\$ 3,000	\$ 2,000
# 1038300 City Celebrations	\$ 6,500	\$ 3,500	\$ 3,000
# 1032210 Building Permits	\$ 5,500	\$ 4,905	\$ 595

General Fund Expenditures Budget

Acct Name & Number	Current Bal	Reduce	New Balance
# 1041260 Bldg Inspector Costs	\$ 3,000	\$ 2,500	\$ 500
# 1043240 Office Supplies	\$ 3,000	\$ 500	\$ 2,500
# 1043255 Computer Supplies	\$ 3,000	\$ 1,500	\$ 1,500
# 1070530 Ball Complex Improv	\$ 9,300	\$ 5,500	\$ 3,800

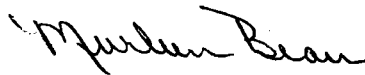
# 1070660 City Park Improv	\$45,250	\$20,500	\$24,750
# 1079520 Cemetery Supplies & Maint	\$15,317	\$ 4,605	\$10,712

To accomplish this, the council must open the budget, and make the necessary changes in an open public meeting. It does not require a public hearing, only that it be on the agenda

Next years budget must also be very lean, so as to let the un-reserved funds accumulate to a sufficient total to help in special projects the city wishes to accomplish. Un-reserved funds comes from receiving more revenues than are expended.

It is my suggestion also, that the city council consider raising the franchise tax amount on the power and gas bills another 1% - to the total of 6% allowed by the State - to help raise additional revenues and also look into a communications tax on the telephone and cell phone bills. Orangeville City does not generate much revenues as there are not too many businesses that brings in taxes; and, therefore must depend on the sales and use tax for a large portion of our revenues. State legislature is looking to change this, so the City must look for other ways to generate funds.

Sincerely,



Murleen Bean